

Mission

Debt Service provides funds sufficient to make annual interest and principal payments on County debt obligations borrowed for capital expenditures. By statute, the County's outstanding debt is restricted to 5% of the equalized value of all property in the County.

Policy

The County structures its debt borrowing issues to maintain annual debt service payments to avoid major fluctuations between years. Promissory notes are amortized with larger payments in the final years to integrate new debt with existing debt to achieve stability in annual payments and impact on future budgets.

The County uses debt borrowing to fund no more than 80 percent of net (after revenues applied) capital budget expenditures for a moderate term of between eight to ten years and to manage debt service to comprise no greater than 10% of the County total operating budget.

By state statute, the County's debt obligations cannot exceed 5% of the equalized value of all property in the County. The County will have over 95% of its debt limit available after including the planned 2004 debt issue of \$14 million. See "Financial Management Policies" - Revenues and Debt Policies.

Based on the current five year Capital Projects Plan, debt service expenditures are structured to be no greater than ten percent of the estimated total operating expenditures for each budget year through the final year of debt repayment. See "Debt Service Activity" (next page).

General Debt Service Fund

This fund includes general County debt obligations related to capital project expenditures in governmental funds.

Expenditures	2002 Actual	2003 Budget	2003 Estimate	2004 Based on Prior Years	Impact of 2004 Issue	2004 Budget	Budget Change
Principal	\$8,445,000	\$8,920,000	\$8,920,000	\$9,400,000	\$0	\$9,400,000	\$480,000
Interest Expense	\$3,005,319	\$3,368,538	\$3,133,384	\$2,960,188	\$525,000	\$3,485,188	\$116,650
TOTAL DEBT	\$11,450,319	\$12,288,538	\$12,053,384	\$12,360,188	\$525,000	\$12,885,188	\$596,650
Fund balance appr.	\$537,271	\$1,300,000 (a)	\$1,074,870	\$1,400,000 (b)	\$0	\$1,400,000	\$100,000
Other revenue	\$99,986 (c)	\$0	\$0			\$0	\$0
TAX LEVY	\$10,813,062	\$10,988,538	\$10,988,538	\$10,960,188	\$525,000	\$11,485,188	\$496,650

(a) 2003 budget includes designated 2002 investment income (prior year) of \$450,000, debt services fund balance of \$400,000 and jail assessment revenue from prior years of \$450,000. The 2003 estimate for fund balance use is lower by \$225,130 due to lower interest expense.

(b) 2004 budget Includes designated 2003 investment income (prior year) of \$450,000, debt services fund balance of \$450,000 and jail assessment revenue from prior years of \$500,000.

(c) 2002 Other Revenue includes (Federal Marshal) cooperative Agreement Plan (CA P) revenues.

Debt Service Ratio

Debt service as a percent of total governmental operating expenditures, excluding proprietary funds and capital project funds, is a measure of debt service impact to operations. As a fixed cost, debt issues are structured to maintain debt service at less than ten percent of the total governmental operating expenditures in future County budgets. Projected debt includes debt expected to be issued for capital projects in future years of the 2004-2008 Five-Year Capital Projects Plan. Projected expenditures assume a 5.5% annual growth rate and includes an estimated jail facility expansion impact of up to \$3 million in 2005.

(Millions)	2000	2001	2002	2003	2004	2005	2006	2007	2008
	Actual*	Actual*	Actual*	Estimate	Budget	Projected	Projected	Projected	Projected
Gov. Oper.*	\$155.1	\$167.3	\$169.2	\$178.4	\$185.3	\$197.6	\$210.4	\$222.0	\$234.2
Debt Ser.**	\$10.8	\$11.1	\$11.5	\$12.1	\$12.9	\$13.4	\$14.3	\$14.9	\$15.8
Ratio (%)	7.0%	6.6%	6.8%	6.8%	7.0%	6.8%	6.8%	6.7%	6.8%

*Excludes proprietary fund operating expenditures.

**Does not include refunding and debt redemption activity.

Outstanding Debt

Outstanding debt is the outstanding principal on general obligation bonds for which the County has pledged its full faith, credit and unlimited taxing power.

Year Issue (a)	Budget Year	Final Payment Year	Amount Issued	True Interest Cost	Outstanding Debt
2003 GOPN (b)	2003	2013	\$13,500,000	3.56%	\$13,500,000
2002 GOPN (b)	2002	2012	\$14,600,000	4.25%	\$14,100,000
2001B GOPN	2001	2011	\$9,900,000	4.30%	\$8,700,000
2001A GORPN (c)	2001	2005	\$16,330,000	3.59%	\$6,165,000
2000 GOPN	2000	2009	\$9,900,000	5.00%	\$8,200,000
1999 GOPN	1999	2008	\$9,900,000	4.21%	\$8,200,000
1998 GOPN	1998	2007	\$9,800,000	4.28%	\$6,000,000
1997 GOPN	1997	2006	\$9,800,000	4.70%	\$4,800,000
TOTAL DEBT 12/31/03					\$69,665,000
2004 BUDGET					<u>\$14,000,000</u>
TOTAL					<u>\$83,665,000</u>

(a) GOPN=General Obligation Promissory Note

(b) The 2002 budget of \$9.9 million was modified to borrow an additional \$4.7 million in 2002 and reduce a planned 2003 borrowing of \$18.4 million down to 13.5 million to take advantage of historically low interest rates in 2002. The \$4.7 million in jail assessment fees previously planned to be used in 2002 was applied with accumulated interest in 2003 and 2004.

(c) GORPN=General Obligation Refunding Promissory Notes. In 2001, notes were issued to refinance \$16.4 million of the outstanding debt that had been originally issued between 1994 and 1996.

Outstanding Debt Limit

By statute, the County's outstanding debt is limited to 5% of the equalized value of all property in the County.

	2002 12/31	2003 Budget Year	2004 Budget Year
Equalized Value (d)	\$31,816,827,400	\$34,518,445,200	\$37,450,170,400
Debt Limit (5% x equalized value)	\$1,590,841,370	\$1,725,922,260	\$1,872,508,520
Outstanding Debt (e)	\$65,085,000	\$69,665,000	\$83,665,000
Available Debt	\$1,525,756,370	\$1,656,257,260	\$1,788,843,520
Percent of Debt Limit Available	95.9%	96.0%	95.5%

(d) Total County equalized value including Tax Incremental Districts for budget year purposes.

(e) Includes anticipated 2004 debt issue of \$14.0 million.

SCHEDULE OF CURRENT AND PROPOSED DEBT SERVICE REQUIREMENTS

2001 GORPN* (1994-96) issues refinanced	1997 GOPN	1998 GOPN	1999 GOPN	2000 GOPN	2001 GOPN	2002 GOPN	2003 GOPN	2004 GOPN	Total
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2004

Principal	\$4,650,000	\$2,000,000	\$1,400,000	\$500,000	\$0	\$0	\$300,000	\$550,000	\$0	\$9,400,000
Interest	308,250	223,000	251,300	340,600	410,000	391,500	589,963	445,575	525,000	3,485,188
2004 Budget Total										12,885,188

2005

Principal	1,515,000	2,000,000	1,375,000	1,800,000	1,200,000	350,000	600,000	375,000	200,000	9,415,000
Interest	75,750	131,000	193,200	320,600	410,000	391,500	573,088	438,388	700,000	3,233,526

2006

Principal		800,000	1,975,000	2,000,000	2,000,000	1,100,000	1,125,000	425,000	200,000	9,625,000
Interest		38,000	135,450	247,700	350,000	375,750	539,338	425,388	690,000	2,801,626

2007

Principal			1,250,000	2,000,000	2,000,000	1,650,000	1,425,000	700,000	400,000	9,425,000
Interest			52,500	165,700	250,000	326,250	486,913	410,450	680,000	2,371,813

2008

Principal				1,900,000	1,800,000	1,850,000	1,825,000	1,000,000	600,000	8,975,000
Interest				81,700	150,000	252,000	418,206	385,825	660,000	1,947,731

2009

Principal					1,200,000	2,250,000	2,400,000	1,350,000	1,200,000	8,400,000
Interest					60,000	168,750	328,425	350,575	630,000	1,537,750

2010

Principal						1,500,000	2,000,000	2,350,000	1,600,000	7,450,000
Interest						67,500	234,925	290,962	570,000	1,163,387

2011

Principal							2,275,000	2,975,000	2,400,000	7,650,000
Interest							143,513	198,050	490,000	831,563

2012

Principal							2,150,000	1,425,000	2,500,000	6,075,000
Interest							47,300	117,781	370,000	535,081

2013

Principal								2,350,000	2,500,000	4,850,000
Interest								45,531	245,000	290,531

2014

Principal									2,400,000	2,400,000
Interest									120,000	120,000

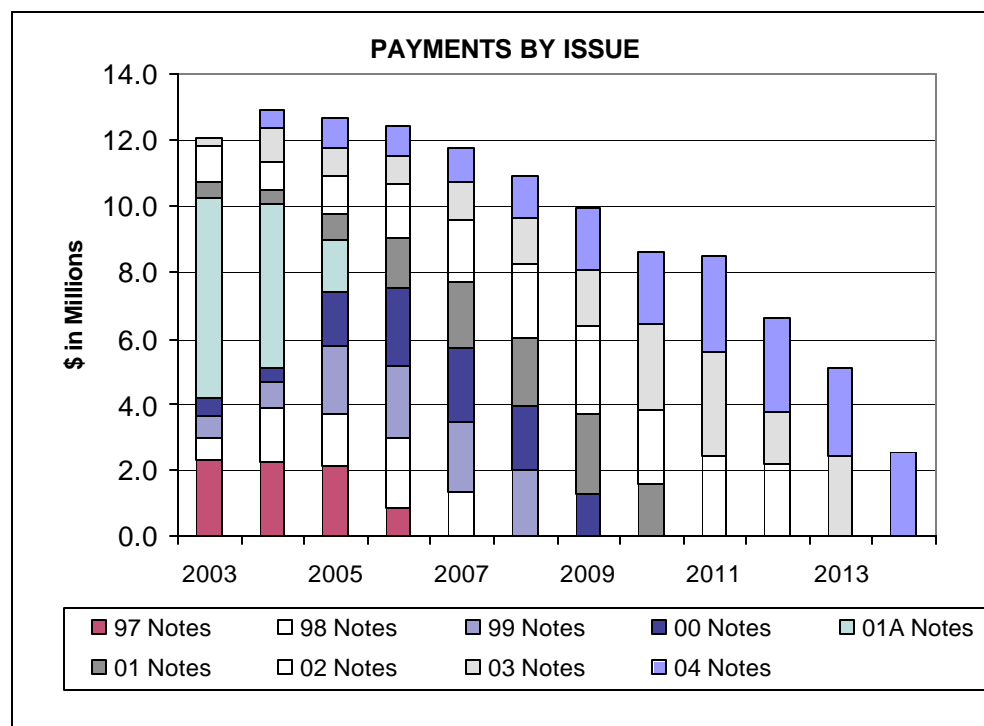
Total Principal	\$6,165,000	\$4,800,000	\$6,000,000	\$8,200,000	\$8,200,000	\$8,700,000	\$14,100,000	\$13,500,000	\$14,000,000	\$83,665,000
Total Interest	\$384,000	\$392,000	\$632,450	\$1,156,300	\$1,630,000	\$1,973,250	\$3,361,669	\$3,108,525	\$5,680,000	\$18,318,194
Total Payment	\$6,549,000	\$5,192,000	\$6,632,450	\$9,356,300	\$9,830,000	\$10,673,250	\$17,461,669	\$16,608,525	\$19,680,000	\$101,983,194

* GORPN = General Obligation Refunding Promissory Notes. In 2001, notes were issued to refinance \$16.4 million of the outstanding debt that had been originally issued between 1994 and 1996.

DEBT SERVICE BY BOND ISSUE

Payments by bond issue indicate a rapid repayment of debt due to a policy of using moderate term (9 to 10 years) promissory notes amortized with larger payments in the final years to integrate new debt with existing debt. Rapid expansion of the county's tax base due to increased construction currently permits the County to allocate more funds for infrastructure improvements and the debt service on these improvements. Until this rapid expansion slows, the County will rely on using moderate term debt issues to finance these projects and continue to address infrastructure needs prudently.

Debt service increases in 2004 include interest expense on borrowing for 2004 capital projects and first year principal payment for the 2003 issue. In the year 2013, final payments for debt borrowing issued through 2003 are scheduled. The 2004 issue is planned for a ten year term, therefore the County's debt, to this point in time including the 2004 budget issue, is planned to be entirely paid by the year 2014.

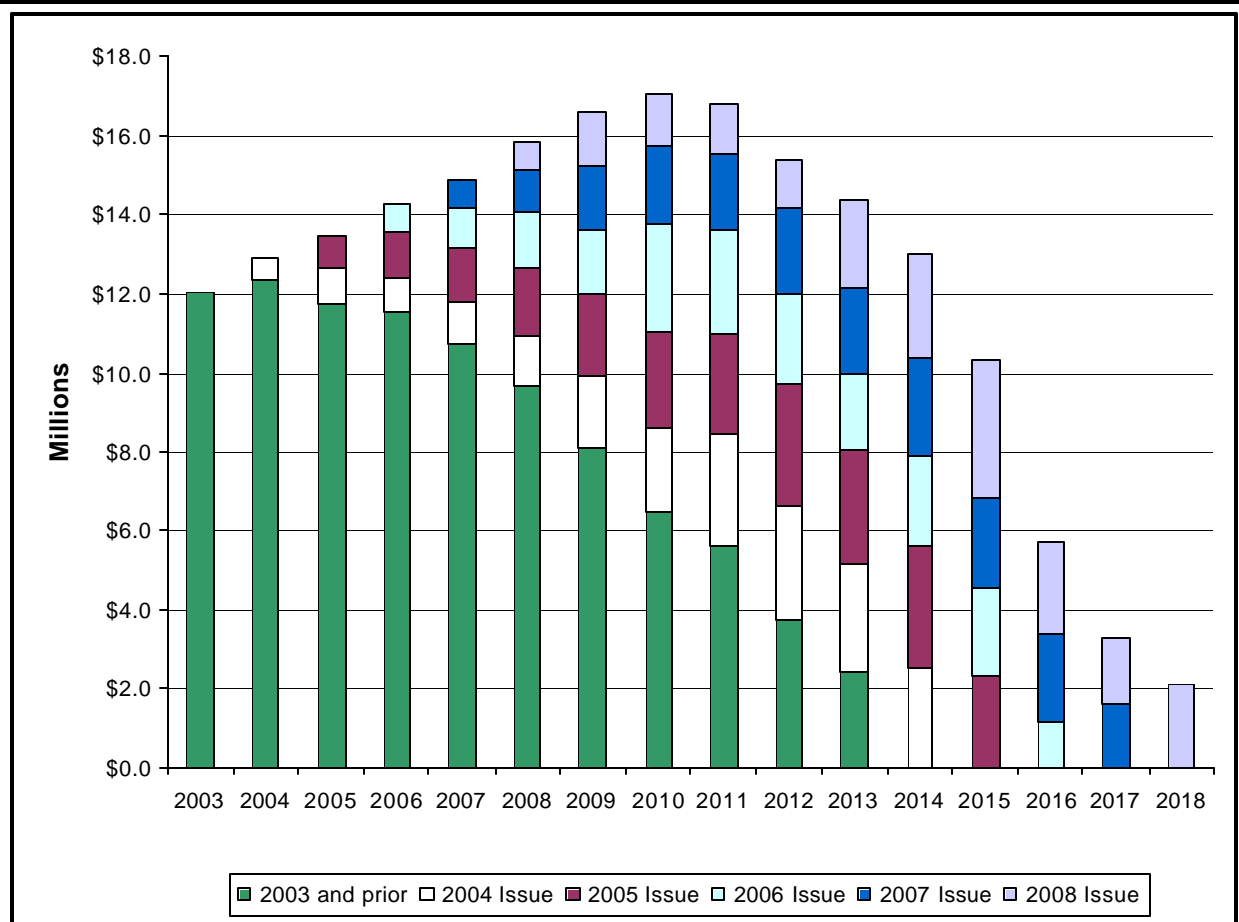


In 2001, the County issued notes to refinance \$16.4 million of the County's outstanding debt that had been originally issued between 1994 and 1996. This resulted in future interest savings targeted for 2003 and 2004.

Debt Service

Debt Service

Projected Debt Service



Future debt service is projected based on capital expenditures planned for in the County's five-year capital plan. Debt is managed to maintain debt service payments at less than 10% of each respective budget year governmental operating expenditures. (See Debt Service Activity page)

	2004 Adopted Budget	2005 5-year plan	2006 5-year plan	2007 5-Year Plan	2008 5-Year Plan
Capital Plan Project Costs	\$28,344,370	\$26,049,000	\$21,209,135	\$20,355,000	\$20,874,000
Other Funding	\$8,891,038	\$5,067,500	\$1,361,000	\$400,000	\$400,000
Investment Income on Funds	\$700,000	\$800,000	\$700,000	\$700,000	\$700,000
Tax Levy - Capital Projects	\$4,753,332	\$4,181,500	\$5,148,135	\$5,255,000	\$5,774,000
Borrowed Funds	\$14,000,000	\$16,000,000	\$14,000,000	\$14,000,000	\$14,000,000
Length of Bond Issue-Years	10	10	10	10	10
Interest Rate	5.00%	6.00%	6.00%	6.00%	6.00%